



PHILIP L. BROWNING
Director

**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

August 17, 2015

To: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

From: Philip L. Browning
Director

Board of Supervisors
HILDA L. SOLIS
First District
MARK RIDLEY-THOMAS
Second District
SHEILA KUEHL
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

HOPE OPPORTUNITY MOTIVATION & EDUCATION FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) Contract Fiscal Compliance conducted a review of Hope Opportunity Motivation & Education (the Contractor), which is a Transitional Housing Program Plus (THP-Plus) contracted program in September 2014.

SUMMARY

The fiscal compliance assessment included a review of the Contractor's financial records such as, financial statements, bank statements, check register, and personnel files to determine the Contractor's compliance with the terms, conditions, and requirements of the THP-Plus contract, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State, and County regulations and guidelines.

The Contractor was in full compliance with 3 of 5 areas of the fiscal compliance assessment: Loans, Advances and Investments; Board of Directors and Business Influence; and Payroll and Personnel.

CAD identified deficiencies in the areas of Financial Overview, related to a loss from operations in the amount of \$40,934 for the year that ended December 31, 2012, Outstanding Semi-Annual Expenditure Reports for Fiscal Year (FY) 2010-2011, 2011-2012, and 2012-2013 (July-December), and inadequate documentation for a loan from the Executive Director to the Contractor; Cash/Expenditures, related to checks made payable to the authorized check signer without a second signature, an Automated Teller Machine (ATM) withdrawal in the amount of \$300, and no fixed assets inventory list.

"To Enrich Lives Through Effective and Caring Service"

The Contractor reported the operational loss of \$40,934 for its FY that ended December 2012, is attributed to the THP-Plus program not operating with the minimum number of ten participants. The program participants fluctuated between four and seven.

Attached are the details of our review.

REVIEW OF REPORT

On January 15, 2015, DCFS CAD Joe Jimenez, Diana Flaggs, and Naftali Sampson, Program Manager, Youth Development Services (YDS), held an Exit Conference with the Contractor representative Mary Johnson, Executive Director. The Contractor representative agreed with the review findings and recommendations; was receptive to implementing changes to improve compliance with its DCFS contract and to resolve the noted deficiencies in a Fiscal Corrective Action Plan (FCAP).

The Contractor provided the attached FCAP on February 19, 2015, and an addendum on May 17, 2015. The FCAP and addendum did not sufficiently address all of the findings noted in this report. A copy of this compliance report has been sent to the Auditor-Controller.

If you have any questions, your staff may contact Aldo Marin, Board Relations Manager, at (213) 351-5530.

PLB:EM
LTI:DF

Attachments

c: Sachi A. Hamai, Interim Chief Executive Officer
John Naimo, Auditor-Controller
Mary Johnson, Hope Opportunity Motivation & Education
Public Information Office

**HOPE OPPORTUNITY MOTIVATION & EDUCATION
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014 – 2015**

SCOPE OF REVIEW

The fiscal compliance assessment included a review of the Hope Opportunity Motivation & Education's (the Contractor's) financial records for the period of December 31, 2012 through July 31, 2014. CAD reviewed the financial statements, bank statements, check register, and personnel files to determine the Contractor's compliance with the terms, conditions, and requirements of Transitional Housing Program Plus (THP-Plus) contract with the Department of Children and Family Services (DCFS), the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State, and County regulations and guidelines.

The on-site fiscal compliance assessment review focused on five key areas of internal controls:

- Financial Overview,
- Loans, Advances and Investments,
- Board of Directors and Business Influence,
- Cash/Expenditures, and
- Payroll and Personnel.

The Contractor was in full compliance with 3 of 5 areas of the fiscal compliance assessment: Loans, Advances and Investments; Board of Directors and Business Influence; and Payroll and Personnel.

FISCAL COMPLIANCE

CAD found the following areas out of compliance:

Financial Overview

- The most recent audited financial statements dated December 31, 2012, showed a loss from operations of \$40,934.

The operational loss of \$40,934 for its Fiscal Year (FY) that ended December 2012 is attributed to the THP-Plus program not operating with the minimum number of ten participants. The program participants fluctuated between four and seven.

- The Semi-Annual Expenditure Reports (SAER) for FY 2010-2011, 2011-2012, and 2012-2013 (July-December) were not submitted to DCFS timely.

The documents submitted on January 30, 2015, were not signed by the Contractor and no signed expenditure reports were submitted. The Contractor submitted the signed reports on June 17, 2015.

- A written agreement for a loan in the amount of \$9,585 from the Executive Director to the Contractor was not maintained.

The Internal Controls Questionnaire (ICQ) submitted on July 18, 2014, states there are no loans from sources other than a banking institution. As a part of this review, the Contractor submitted a promissory note in the amount of \$9,585 signed by the Board President. This note was not signed by the Executive Director. In May 2015, the Contractor submitted Board meeting minutes dated August 16, 2012. The minutes reference a discussion of the loan and a promissory note for the loan from the Executive Director in the amount of \$9,585. There was no supporting documentation demonstrating the deposit of these funds into the Contractor's accounts nor the expenditure of these funds provided.

Recommendations:

The Contractor's management shall ensure that:

1. An effective cash management system tracking revenues and expenditures is established to resolve the existing loss from operations and avoid future operating losses.
2. SAER's are submitted to DCFS timely.
3. Written loan agreements and records are maintained documenting all loans.

Cash/Expenditures

- Payroll checks were payable to the authorized check signer (the Executive Director) without a second signature.

The payroll checks were in the amount of \$1,277.75 each for May, June and July 2014. Going forward, the Contractor will require review, approval and a second signature from the Board President on checks made payable to the payee.

- An Automated Teller Machine (ATM) withdrawal of \$300.

The ATM withdrawal was for petty cash. The Contractor will not make ATM cash withdrawals. Cash funds will be received directly from the teller in the bank for petty cash use.

- No fixed assets list.

The Contractor's ICQ submitted on July 18, 2014, stated they maintained a fixed assets inventory. However, during the fiscal review the Contractor stated they do not maintain a fixed asset list because the assets are all donated. The Contractor submitted a template of a fixed asset inventory list that will be maintained going forward.

Recommendations:

The Contractor's management shall ensure that:

4. Checks payable to the authorized check signer are reviewed and approved by a higher level employee, or Board member who shall also sign the check.

5. Electronic debits to cash are not made.
6. A fixed assets inventory list is maintained that includes item description, serial number, and date of purchase, acquisition cost and source of funding.

A copy of this compliance report has been sent to the Auditor-Controller.



Hope Opportunity Motivation & Education, Inc.
Transitional Housing and Placement Program
License # 198201656

February 19, 2015

Luis Moreno, Fiscal Compliance Admin.
Contracts Administration Division
Dept. Children & Family Services
3530 Wilshire Blvd., 4th Floor
Los Angeles, CA 90010

Dear Mr. Moreno:

**TRANSITIONAL HOUSING PROGRAM – PLUS (THP-Plus) FISCAL COMPLIANCE
ASSESSMENT RESPONSE (FCAP)**

ON SITE-FISCAL COMPLIANCE ASSESSMENT: 9/10/14 & 9/17/14
INTERNAL CONTROL QUESTIONNAIRE (ICQ) RECEIVED: JULY 18, '2014

SUMMARY

Hope Opportunity Motivation Education, Inc. (HOME) HAD FINDINGS IN 2 OF THE 5
FISCAL AREAS REVIEWED IN THE (FCAT).

FCAT Section 1 – Financial Overview

Question No 3 Finding

According to the audited financial statement for the period ending December 31,
2012, the agency incurred a loss from operations of \$40,934.

(FCAP-3)

**HOME will strive to eliminate losses by being proactive in procuring
underpayments and increasing the target program population. HOME will also
ensure that DCFS payments at the end of the year are posted and accounted for
by working more closely with the accounting firm.**

“There’s no place like ...HOME”

Question No 6, Finding

The Semi-Annual Expenditure Report for FY 2010-11, 2011-2012, and 2012-2013 (July to December 2012) was not submitted to DCFA timely.

(FCAP-6)

The Executive Director will direct, inspect and ensure by calendar entry reminders and closely working with Accounting that all future Semi-Annual Expenditure Reports are mailed no later than: September 1 for the semi-annual report for the period ended June 30 and March 1 for the semi-annual report for the period ended December 31. HOME will maintain a tracking log on computer file that will identify dates Semi-Annual Expenditure Reports are sent to DCFS for future audits.

Question No 9, Finding

The EXECUTIVE Director loaned \$9,585 to the agency without proper supporting documentation

(FCAP-9)

The Executive Director and or /related parties will be supported by a written loan agreement and records documenting that the lent funds were deposited into HOME's bank account. HOME will maintain documentation showing that the loan proceeds were actually used for the county programs.

FCAT Section IV – Cash/Expenditures

Question No 17, Finding

On 5/15/14, 6/15/14, and 7/15/14 payroll checks in the amount of \$1,277.75 each for Mary Johnson were payable to the authorized check signer without a second signature.

(FCAP-17)

The Executive Director as signor of checks and payee will ensure that disbursements are reviewed, approved and signed by the Board President who also has secondary signer authority on checks.

Question No 19, Finding

On 7/24/14 an ATM withdrawal was made in the amount of \$300

“There’s no place like ...HOME”

HOME- (FCAP- RESPONSE)

February 19, 2015

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(FCAP-10)

HOME will not make "electronic debits to "cash." Cash Funds will be received directly from teller in bank for petty cash use.

Question No 28, Finding

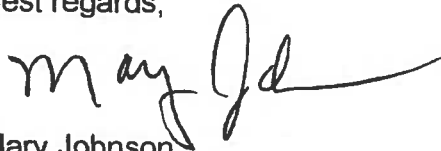
The agency does not maintain a fixed assets list.

(FCAP-28)

HOME will maintain a file with current listing of fixed assets, including the item description, serial number, date of purchase, acquisition cost and source(s) of funding" in case of any asset purchases.

Thank you for reviewing our program and providing feedback. We take this process very seriously and know that it will help to improve our operation and performance as we strive to provide the best for our youth.

Best regards,

A handwritten signature in black ink, appearing to read "Mary Johnson", with a long horizontal flourish extending to the right.

Mary Johnson
Executive Director

"There's no place like ...HOME"



May 17, 2015

Luis Moreno
Fiscal Compliance Administrator
County of Los Angeles
DCFS-Bureau of Contract Services
3530 Wilshire, 4th Floor
Los Angeles, CA 90010

Dear Mr. Moreno:

Thank you for performing the financial audit for our THP-Plus Program for FY 2014-2015. We no longer have a contract for this program. We were disqualified for a 2015, contract for this program based solely on the non-submission of formal financial audit documentation during the RFP process. HOME, provided our youth with excellent housing and supportive services and fulfilled our contractual obligations in spite of "limited" funding and resources.

Upon contracting with the county for THP-plus, it was our understanding that we would serve not less than ten (10) Participants. However, the numbers for Participants kept fluctuating, going from 10 to 4 to 7. This instability of County income with our sustained leases, insurance, taxes, etc. had to be honored and caused a real financial hardship. However, our Participants were at no time adversely affected and received the "Best" housing and services with caring and supportive staff.

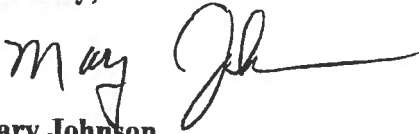
FINANCIAL OVERVIEW:

- The most recent Audited Financial Statements dated December 31, 2012 showed a loss from operations of \$40,934.
Under the County Agreement, HOME did not at anytime default or ceases to perform any financial obligation.
- The Semi-Annual Expenditure Reports for FY2010-11, 2011-2012, and 2012-2013 (July-December) were not submitted to DCFS timely.
- **Although this Administrator takes full responsibility for reports, this task was performed by our paid accountants that have specialized in this area of County business and worked with HOME for over 20 years. They have demonstrated to HOME from file copies that these reports were sent timely and re-submitted per repeated request to the County of Los Angeles. Our Agency will take Corrective action measures as previously stated to avoid this mishap in the future.**
- No written agreement for a loan in the amount of \$9,585 from the Executive Director to the agency.

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HOME

Please see attached '2012 Board minutes and Promissory Note for loan. Unfortunately, due to "meager" funding of this program, this Administrator also made numerous informal contributions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mary Johnson', with a long horizontal flourish extending to the right.

Mary Johnson
Hope Opportunity Motivation Education, Inc. (HOME)